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Realty Trust Review

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VALUE GUIDE TO SHORT-TERM MORTGAGE (MORTGAGE BANKER SPONSORED) IN THIS ISSUE

	Assets (Mil. \$)	Port. Yield	Oper. Margin	-6Mo. Last	Port.Chg. E Next	Lever Ratio	Wts. Out*	Price	Div. Yield	Page
Alison Mtg.	\$104.6	11.61%	9.26%	59%	42%	1.10	29%	\$29.38	9.8%	2
Atico Mtg.	93.5	11.56	10.18	23	30	0.65	104	22.63	9.9	2
Citizens Mtg.	50.1	10.78	8.48	25	25	1.49	50	15.75	9.4	2
Colwell Mtg.	94.0	12.02	9.95	61	30	1.49	60	29.75	9.4	3
First Cont.Mtg.	25.6	10.77	9.18	22	22	1.37	0	11.75	8.9	3
Fraser Mtg.	52.8	11.10	9.20	11	20	1.96	0	22.75	9.8	3
Galbreath Mtg.	71.1	10.32	9.23	34	10	1.18	51	29.13	9.1	4
Guardian Mtg.	227.9	11.18	9.65	39	27	2.03	35	45.13	8.9	4
Hamilton Inv.	66.9	9.91	NA	61	25	1.48	100	17.63	9.1	4
Heitman Mtg.	107.3	11.00	9.47	61	15	1.02	0	14.25	8.4	5
Justice Mtg.	31.9	11.38	9.17	113	50	0.56	98	21.13	8.7	5
KMC Mtg.	27.2	10.41	7.46	77	30	0.78	98	11.63	7.9	5
Larwin Mtg.	111.4	11.44	9.67	38	15	1.94	35	30.25	8.7	6
Lomas Nat.Mtg.	248.8	10.52	8.76	30	25	1.99	0	47.00	7.7	6
M&T Mtg.	34.3	10.16	8.88	42	46	1.24	51	11.75	9.2	6
Midland Mtg.	92.9	10.79	9.12	34	24	1.81	22	16.88	10.0	7
Nat. Mtg.	54.4	11.40	9.89	40	24	1.17	17	13.88	10.4	7
No. Am. Mtg.	175.1	11.75	10.88	31	25	1.80	23	33.88	7.4	7
Palomar Mtg.	53.0	10.95	9.68	79	22	1.18	33	16.38	9.2	8
Sutro Mtg.	72.5	9.68	8.24	20	15	0.24	9	19.00	9.2	8
Texas First	47.6	11.17	9.14	90	30	1.40	100	20.00	8.0	8
TOTAL/AVG.	\$1,842.9	10.95%	9.27%	47%	26%	1.32	44%		9.0%	

Operating margin is gross portfolio yield minus all cash expenses except depreciation, loss provision and interest. Leverage ratio is ratio of fixed-rate debt to capital (equity plus convertibles). *As a percentage of shares assuming full conversion. E-Est.

MORTGAGE BANKER SPONSORED TRUSTS TURNING ON ORIGINATING STEAM

This month's group study shows mortgage banker-sponsored trusts are able to sustain more growth than Wall Street sources have been willing to admit. Portfolios rose an average 47% the past six months, highest of any group surveyed recently, and will rise about 26% in the next six months. This is because the mortgage bankers, once small local originators of mortgages for distant investors, are consolidating and building large regional and national office networks. These networks are now turning on the steam.

Moreover, the group has been able to borrow short-term funds more readily than Wall Street supposed. The average leverage ratio is 1.32-1, again the highest for any group surveyed. Rising leverage has lifted average return on capital to 11.56%, very near the top for all trusts and 11 of the 21 trusts fall in the top quartile of all trusts in this category. Will these trends continue? We think so, because trust sponsors are veterans at capitalizing on local real estate trends through their field forces. For current investment *Lomas & Nettleton* and *North American* have demonstrated originating muscle, and *Guardian* continues to be statistically attractive. *Colwell* earnings have risen sharply and the trust yields above-average dividends. *Alison* has a good record and *Justice* is the class of newer trusts, a current offering proposal notwithstanding. *Midland*, *KMC* and *Texas First* give strong regional representation and *Galbreath*, *Sutro* and *National* are sound yield vehicles.

RANKINGS: 121 trusts are ranked for this issue on our computer for your guidance.

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PUBLISHED TWICE MONTHLY ON THE SECOND AND FOURTH FRIDAYS SUBSCRIPTION \$84 ANNUALLY GROUP RATES ON REQUEST

ALISON MORTGAGE INVESTMENT TRUST (ASE-AMG)

Short-term mtg.-mtg. banker. FY ends Oct. 31

RANKING (Data of 7/72)

	Assets	Equity	Port.Yield	Capital Ret.
Rank	36	47	39	37
Amt. \$104.6M	\$34.2M	11.61%	11.77%	

Portfolio dynamics: Holdings

gained 59% over last 6 months. Current fundings of \$95.1M are broken down 29% constr. and devel., 33% intermediate, 16% land, 18% wrap around, 4% land leasebacks. Heaviest concentration of

loans located in Texas (30%), Fla. (14%), N.Y. (13%), Calif. (10%), Ariz. (6%) with rest in 20 other states. Mgmt. expects the portfolio to grow by \$40M-\$45M (gain of 42-47%) in next six months with percentage of portfolio in constr. and devel. loans to fall and a buildup in intermediate and land purchase leasebacks. Loss reserve: \$172T or 0.19%. Financing: Total capital of trust amounts to \$48.8M divided \$34.2M equity (w. 1.81M sh.), \$13.6M 6 3/4% convt. subor. debent., \$1.0M 7% convt. subor. debent. Debt is \$53.7M consisting of \$37.7M notes payable to banks and \$16.0M commercial paper. Leverage ratio is 1.10-1. A public financing is a possibility depending on market conditions. Money costs were 5.39% in the latest quarter, giving the trust a 3.87% spread on borrowings. Adviser & expenses: American Advisors, Inc., majority owned by The Alison Company. Expenses averaged 2.39% of avg. invest in the last 2 quarters. Six month outlook: Significant growth in portfolio in next 6 months points to gains in earnings and dividends. A high portfolio yield and equity return plus low dilution (29%) due to wts. all indicate earnings and dividends will grow in near future. Trust sh. are an attractive intermediate term buy candidate. Trust classification will be changed to intermediate-term mtg. group due to fact that future emphasis will be in that area. (VCK)

ATICO MORTGAGE INVESTORS (NYSE-ACO)

Short-term mtg.-mtg. banker. FY ends Oct. 31

RANKING (Data as of 7/72)

	Assets	Equity	Port.Yield	Capital Ret.
Rank	42	49	41	34
Amt. \$93.5M	\$33.4M	11.56%	11.50%	

Portfolio dynamics: Holdings

gained 23% in last 2 quar. Current portfolio of \$84.3M divided 70% first mtg. constr., 17% first mtg. devel., 13% junior mtg., wrap-around and land-purchase leasebacks. About 70-75% of invest. are lo-

cated in Florida with the rest in 13 other states, Canada and Puerto Rico. Mgmt. expects portfolio two grow at least 30% in the next 6 months with a larger portion being invested in the long-term area. Loss reserve: 402T or 0.48%. Financing: Capital amounts to \$55.0M with \$33.4M equity (2.12M sh.) & \$18.8M 6 3/4% subor. deb., and \$2.8M 6 1/4% convt. subor. debent. Debt consists of \$35.8M short-term notes. Leverage ratio is 0.65-1. No public financing expected in next 6 months. Money costs were 6.11% in the latest quarter, giving the trust a 4.07% spread on borrowings. Adviser & expenses: Atico Advisory Corp., wholly-owned subsidiary of Atico Financial Corp. Expenses averaged 1.30% of invest. last 6 months. Six month outlook: Portfolio yield and operating margin have slipped over the past several quarters. Potential addition of 104% to shares through warrants is another negative to earnings & dividend gains. A narrowing spread on borrowings puts further pressure on the trust. Shares warrant long-term holding. (VCK)

CITIZENS MORTGAGE INVESTMENT TRUST (ASE-CZM)

Short-term Mtg.-mtg. banker. FY ends Dec. 31

RANKING (Data as of 9/72)

	Assets	Equity	Port.Yield	Capital Ret.
Rank	76	78	66	43
Amt. \$50.1M	\$19.8 M	10.78%	10.66%	

Portfolio dynamics: Holdings

rose 25% in the last two quarters and a high level of commitments indicate this growth rate may be sustained through March. Holdings of \$46.6M are 79% constr. loans, 13% land & devel. loans, 7.5% intermediate term

loans. Commitments for about \$600T of wrap-around loans have been made. About 52% are in Michigan, 10% in Florida, and about 70% are residential loans. Composition is not expected to change. Loss reserve: \$47T or 0.10%. Financing: Equity of \$19.8M is with 1.41M sh. Debt of \$29.6M is about half commercial paper, half bank lines. Leverage ratio is 1.49-1. Money costs averaging 5.97% in the latest quar. gave a 2.51% net spread on borrowings. financing likely. Adviser & expenses. Citizens Mtg. Co., large mtg. banker and sub. of

U.S. Industries. All cash expenses less provision for losses avg. 2.34% of fundings last 2 quar. Six month outlook: Expected funding levels indicate further moderate gains in earnings and dividends. Warrant overhang of 50% not meaningful with shares below \$15 exch. price. Shares a hold for income and modest appreciation. (KDC)

COLWELL MORTGAGE TRUST (ASE-CLM)

Short-term mtg.-mtg. banker. FY ends Dec. 31

RANKING (Data as of 9/72)

	<u>Assets</u>	<u>Equity</u>	<u>Port.Yield</u>	<u>Capital Ret.</u>
Rank	41	52	28	13
Amt. \$94.0M	\$31.6M	12.02%	13.73%	

Portfolio dynamics: Portfolio soared 61% in the last 6 mon. but fundings will be restricted by heavy paybacks in the Dec. quarter before resuming growth. Holdings are mainly first mtg. constr. loans and are about

40% apartments, the remainder a wide variety of property types. About one-third are in California, the remainder in other Western states. There are no problem loans. Loss reserve: \$452T or 0.48%. The trust added \$237T. or 1.6-cents/sh., in the Sept. quar. in an apparent effort to hold down an earnings surge. Financing: Capital of \$36.2M is \$31.6M equity (w. 1.48M sh.) and \$4.7M of 6½% convert. debentures. Debt of \$54.0M is all bank borrowings. Leverage ratio is 1.49-1. Both a public financing and a bank term loan are being discussed. Adviser & expenses: Colwell Mgmt. Co., sub. of the third largest U.S. mortgage banker. All cash expenses (excluding loss provision) were 2.17% of avg. fundings the last 2 quar. Six month outlook: Heavy paybacks indicate the Dec. quarter will not duplicate the 8.3% surge in Sept. quar. EPS (to \$0.78/sh.) but the March quar. should be strong. Origination strength is a plus. Warrant overhang of 60% (at \$20 and \$29.38) may be slightly restrictive. Shares sound buy for intermediate term capital gains and income. (KDC)

FRASER MORTGAGE INVESTMENTS (OTC-FRASS)

Short-term mtg.-mtg. banker. FY ends May 31

RANKING (Data as of 8/72)

	<u>Assets</u>	<u>Equity</u>	<u>Port.Yield</u>	<u>Capital Ret.</u>
Rank	72	84	54	16
Amt. \$52.8M	\$17.7M	11.10%	13.15%	

Portfolio dynamics: Holdings increased 11% over the last 2 quar. Portfolio of \$49.9M is 67% constr., 10% land, short-term second mtg., 23% long-term first and second mtg. While trust loans are located in 16 states, significant con-

centration is in Fla., Ohio, Penn. and Mich. Mgmt. expects fundings to grow by 20% in next six months with more emphasis placed on long-term loans. Loss reserve: \$326T or 0.66%. Financing: Capital of trust amounts to \$17.7M, all equity w. 1.04M sh. Debt is \$34.7M all short-term notes. Leverage ratio 1.96-1. Trust does not plan public financing in next 6 months. Money costs were 6.00% in the latest quarter giving the trust a 3.20% spread on borrowings. Adviser & expenses: Fraser Mortgage Co., an Ohio mtg. banking firm doing business since 1933. Cash expenses were 2.01% of avg. invest. over the last 2 quar. Six month outlook: Trust earnings and dividends have suffered due to declining yields over recent quarters. Trust is now attempting to raise yields by replacing old loans with new higher yielding loans. Continued portfolio growth, absence of warrants should bring moderate earnings and dividend increases. Shares are a longer-term holding. (VCK)

FIRST CONTINENTAL REAL ESTATE INVESTMENT TRUST (OTC-FCRES)

Short-term mtg.-mtg. banker. FY ends Feb.28/29

RANKING (Data as of 8/72)

	<u>Assets</u>	<u>Equity</u>	<u>Port.Yield</u>	<u>Capital Ret.</u>
Rank	108	105	67	24
Amt. \$25.6M	\$10.6M	10.77%	12.21%	

Portfolio dynamics: Fundings grew 22% over the last 6 months, with mgmt. estimating that by fiscal year end, Feb.'73, the portfolio will be over \$30M, a 22% gain. Current portfolio of \$24.6M broken down 43% constr. 49% land devel., 8% other. All loans located in the Houston, Dallas and

Fort Worth areas. Composition of portfolio will remain unchanged in next 6 months. Loss reserve: \$20T or 0.08%. Financing: Capital amounts to \$10.6M, all equity w. 1.12M sh. Debt is \$14.4M notes to banks. Leverage ratio is 1.37-1. A public financing is likely in the next six months but form has not been determined. Adviser & expenses: First Continental Mortgage Advisers, Inc., a wholly-owned subsidiary of First Continental Mortgage

Co. Cash expenses averaged 1.40% of avg. invest. over the last 2 quarters. Trustees own 8% of trust shares. Six month outlook: Continued steady growth in portfolio, no dilution, strong loan origination capabilities all are factors that should insure good earnings and dividend growth. Lack of past historical data makes analysis a bit premature but shares appear to be an intermediate term buy for growth and regional representation. (VCK)

GALBREATH FIRST MORTGAGE INVESTMENTS (OTC-GALBS)

Short-term mtg.-mtg. banker. FY ends Mar. 31
RANKING (Data as of 9/72)

	Assets	Equity	Port.Yield	Capital Ret.
Rank	59	66	85	52
Amt. \$71.1M	\$24.1M	10.32%	10.21%	

Portfolio dynamics: Holdings rose 34% in the 6 mon. through Sept. but GFMI has slowed commitment volume to maintain portfolio quality and upgrade quality of new additions. Holdings of \$63.2M are 68% constr. & devel. loans, 17% in commercial permanent loans, 13% FHA-VA permanents, and 1.3% in direct real estate ownership. Mix is not expected to change. Yield has been stable. Loss reserve: \$323T or 0.51%. Financing: Capital of \$32.1M is \$24.1M equity (w. 998T sh.) and \$7.9M of 7% debts. convt. at \$28.50. Debt of \$37.8M is all bank borrowings. Leverage ratio is 1.18-1. Credit lines are being expanded and no financing is planned. Adviser & expenses: Galbreath Mortgage Co., mortgage bankers servicing over \$400M loans. Cash expenses excluding loss provision avgd. 1.18% of fundings last 2 quar. Six month outlook: Trust stresses loan quality over growth at any cost. Shares are of sleeping-quality primarily for yield. (KDC)

GUARDIAN MORTGAGE INVESTORS (NYSE-GMI)

Short-term mtg.-mtg. banker. FY ends Feb.28/29
RANKING (Data as of 8/72)

	Assets	Equity	Port.Yield	Capital Ret.
Rank	6	30	51	10
Amt. \$227.9M	\$53.6M	11.18%	13.89%	

Portfolio dynamics: Fundings increased 39% in the last 2 quar., an average gain of \$28.4M per quar. Holdings of \$204.2M are divided 64% constr., 31% land, 3% junior mtg., 1% standing loans, 1% real estate. Heaviest concentration of loans in Fla. (41%) with the rest in 18 other states, Wash. D.C., P.R. and Virgin Is. Mgmt. expects portfolio to reach \$260M (27% gain) in next 6 months with composition unchanged. Loss reserve: \$732T or 0.36%. Financing: Trust capitalized at \$74.6M with \$53.6 in equity w. 2.05M sh., \$19.9M 6 3/4% debent., \$750T 6 1/4% subor. convt. notes, \$407T 8% subor. convt. debent. Total debt of \$151.5M is mainly \$100.2M commercial paper and \$50.7M bank borrowing. Leverage ratio is 2.03-1. Money costs were 5.68% in the latest quarter, giving the trust a 3.98% spread on borrowings. Adviser & expenses: Charter Advisory Company, a wholly-owned subsidiary of The Charter Company, diversified holding company. Cash expenses were 1.69% of avg. invest. in the last 2 quar. Six month outlook: Moderate slowdown in growth of holdings in next 6 months will tend to limit earnings and dividend gains. Warrant exercise potential of 35%, although not high could put pressure on share earnings and dividends. But increase in earnings and dividends should be good enough to warrant intermediate-term purchase. (VCK)

HAMILTON INVESTMENT TRUST (OTC-HAMTS)

Short-term mtg.-mtg. banker FY ends Dec. 31
RANKINGS (Partial data as of 9/72)

	Assets	Equity	Port.Yield	Capital Ret.
Rank	63	62	94	66
Amt. \$66.9M	\$26.8M	9.91%	9.00%	

Portfolio dynamics: Fundings surged 61% in last 2 quar., indicating momentum is building after July 1971 initial offering. We expect growth of about 25% through March '73 since some paybacks of original loans are scheduled that quar. Overall commitment volume high however. Portfolio is about 54% constr. loans, 28% land development loans. Commitments are about 36% in New Jersey, 13% in Okla. and Colorado each. No problem loans. Loss reserve: \$90T or 0.15%. Financing: Capital is all equity of \$26.8M with 1.45M shares. Debt of \$39.7M is \$37.2M bank borrowings, the rest commercial paper. Leverage ratio is 1.48-1. No financing expected during next 6 mon. but is possible in mid-1973. Bank lines are \$66M. Adviser & expenses: Hamilton Advisers, Inc., 40% owned by Jersey Mortgage Co., a mortgage banker, and 20% owned each by Food Fair Stores and Amterre Corp. (formerly Food Fair Prop-

erties). Cash expenses were 2.18% in the June quar. Six month outlook: Although portfolio gains may moderate, originating capacity appears strong and shares are a buy for intermediate-term capital gains and income. (KDC)

HEITMAN MORTGAGE INVESTORS (ASE-HTM)

Short-term mtg.-mtg. banker. FY ends Dec. 31
RANKING (Data as of 9/72)

	Assets	Equity	Port.Yield	Capital Ret.
Rank	34	71	57	50
Amt. \$107.3M	\$21.6M		11.00%	10.39%

Portfolio dynamics: Holdings increased 61% the past six months, up an average \$18.0M per quarter. Current portfolio of \$94.7M is divided 38% interim constr., 30% intermediate, 13% land devel., 12% short-term, 4% junior, 3% wrap-around. Geographically loans are located 40% Ill., 27% other mid-western, 9% Hawaii, 10% eastern 10% western, 4% Canada. Mgmt. expects portfolio to be over \$100M by year end with composition unchanged. Loss reserve: \$172T or 0.18% Financing: Capital of trust amounts to \$52.1M broken down \$21.6 equity (w. 2.34M sh.), \$29.1M 7½% convt. subor. debent., \$1.4M 8% convt. subor. debent. Debt is \$53.2M short-term bank notes. Leverage ratio is 1.02-1. Mgmt. has not yet decided about a public offering in the next 6 months. Money costs were 4.73% in the latest quarter, giving the trust a 4.74% spread on borrowings. Adviser & expenses: HMI Management Company, wholly-owned sub. of Heitman Mortgage Co. and itself a sub. of Computing & Software. Cash expenses were 1.73% of avg. invest. over last 2 quar. Six month outlook: A slowdown in growth of portfolio will moderate gains in earnings and dividends. The prospect of a public offering may put a damper on share prices. Trust is a long-term gains candidate. (VCK)

JUSTICE MORTGAGE INVESTORS (OTC-JUSTS)

Short-term mtg.-mtg. banker. FY ends Sept. 30
RANKING (Data as of 9/72)

	Assets	Equity	Port.Yield	Capital Ret.
Rank	100	77	47	54
Amt. \$31.9M	\$19.9M		11.38%	9.97%

Portfolio dynamics: Trust is off to a fast start after Jan. 13, '72 initial offering. Holdings rose 113% last 2 quar. but this rate of gain likely cannot be sustained. Yield is surprisingly high for a new trust, indicating adviser's experience in commercial mtgs. Holdings of \$31.3M are diversified in constr., land acquisition & development, land loans, commercial & residential constr. Commitments currently are \$38M accepted by borrower, \$15M-plus approved by trustees. Loss reserve: \$54T or 0.17%. Financing: Capital is all equity, \$19.9M w. 1.08M sh. Debt of \$11.1M is bank borrowings. Leverage ratio is 0.56-1. Bank lines are being expanded and a 900,000-share offering has been filed. Adviser & expenses: Justice Management, sub. of Justice Mtg. Co., mtg. banker servicing about \$500M in loans. Cash expenses excluding loss provision were 2.39% of avg. fundings last two quar., a start-up period. Six month outlook: Warrant overhang of 98% (exer. at \$20) not expected to hurt earnings near-term. Although yield is below group average, shares are excellent short to intermediate-term capital gains vehicles. (KDC)

KMC MORTGAGE INVESTORS (OTC-KMTGS)

Short-term mtg.-mtg. banker. FY ends Nov. 30
RANKING (Data as of 8/72)

	Assets	Equity	Port.Yield	Capital Ret.
Rank	106	88	83	98
Amt. \$27.2M	\$15.2M		10.41%	6.79%

Portfolio dynamics: Fundings increased 77% in latest six months. Current portfolio of \$26.1M is 72% constr., 22% land devel., 3% second mtg., 3% other. Loans are located within a 300 mile radius of Lexington, Ky. expect for one in Arizona. We estimate portfolio will grow about 30-35% in next 6 months. Loss reserve: N.A. Financing: Capital amounts to \$15.2M all equity w. 1.12M sh. Debt is \$11.8M notes payable to banks. Leverage ratio is 0.78-1. No public financing planned in next six months. Money costs were 7.54% in latest quarter. Adviser & expenses: Trust Advisers, Inc., wholly-owned subsidiary of Kentucky Mtg. Co., Inc. Cash expenses averaged 3.02% of invest. last 6 months. Six month outlook: Growth in portfolio will be significant over next 6 mon. Heavy warrant overhang of 98% no threat to earnings as exer. price of \$15 far over current prices. Trust is a long-term buy for additional growth and regional representation. (VCK)

LARWIN MORTGAGE INVESTORS (NYSE-LWN)

Short-term mtg.-Mtg. banker. FY ends June 30

RANKING (Data as of 9/72)

	<u>Assets</u>	<u>Equity</u>	<u>Port.Yield</u>	<u>Capital Ret.</u>
Rank	29	44	44	7
Amt.	\$111.4M	\$37.3M	11.44%	14.43%

Portfolio dynamics: Portfolio rose 38% in 6 mon. through Sept. but a gain of about 15% is likely through next 6 mon. Heavy Dec. quar. repayments will restrict gains but rising commitments indicate strong March quar. Holdings of \$103.9M are about 48% in apartments, 19% industrial & comcl. bldgs., 18% shopping centers, 11% office buildings. Holdings widely diversified in U.S. and about 12% in Canada, 4% in United Kingdom, 3% in Puerto Rico. Yield pattern should continue stable. Loss reserve: \$323T or 0.31%. Financing: Capital is \$37.3M equity, w. 2.01M shares. Debt of \$72.2M includes \$23.7M bank borrowing, \$23.5M commercial paper & \$25M of 6 3/4% subordinate debts. Leverage ratio 1.94-1. Money costs of 6.05% permitted a 3.61% spread on borrowings in latest quar. No public financing expected. Adviser & expenses: Larwin Advisors, sub of the Larwin Group, real estate development arm of CNA Financial. Adviser maintains offices in eight cities. Cash expenses were 1.79% of avg. holdings last 2 quar. Six month outlook: Steady moderate earnings and dividend growth expected. One troublesome loan in Detroit not material. Shares have yield and moderate capital gains potential over longer-term. (KDC)

LOMAS & NETTLETON MORTGAGE INVESTORS (NYSE-LOM)

Short-term mtg.-mtg. banker. FY ends June 30

RANKING (Data as of 9/72)

	<u>Assets</u>	<u>Equity</u>	<u>Port.Yield</u>	<u>Capital Ret.</u>
Rank	4	11	76	23
Amt.	\$248.8M	\$82.4M	10.52%	12.24%

Portfolio dynamics: Holdings gained 30% in the 6 mon. through Sept. and a further increase of about 25%-plus appears in store the next 6 mon. Yield is steady and may rise moderately. Originations are coming from Lomas & Nettleton's extensive office network. Holdings of \$239.7M are 51% constr., 16 1/2% development loans, 6% other short-term loans, 2% second mtg. loans and 24% temporary FHA-VA holdings. One foreclosed apartment was sold this week for modest profit; only other foreclosure is a Buffalo apartment being sold. Loss reserve: \$1.45M or 0.60%. Financing: Capital of \$82.4M is all shareholders' equity w. 2.8M shares. Debt of \$164.4M is \$80.2M commercial paper, \$26.4M short-term bank lines and \$35M in a 5-yr. bank term loans. Leverage ratio is 1.99-1. Money cost 5.88% in the Sept. quar. allowing a 2.82% spread on borrowings. Offering of 900,000 sh. is expected this week. Adviser & expenses: L&N Management, sub. of Lomas & Nettleton Financial, largest U.S. mortgage banker. Cash expenses were 1.83% of avg. holdings last 2 quar. Six month outlook: Strong access to credit markets, broad-based origination and absence of warrant overhang give shares excellent capital gains potentials. (KDC)

M&T MORTGAGE INVESTORS (OTC-MIMIS)

Short-term mtg. mtg. banker. FY ends Aug. 31

RANKING (Data as of 8/72)

	<u>Assets</u>	<u>Equity</u>	<u>Port.Yield</u>	<u>Capital Ret.</u>
Rank	94	89	89	20
Amt.	\$34.3M	\$15.2M	10.16%	12.69%

Portfolio dynamics: Fundings increased by 42% the last six months. Current portfolio of \$32.6M is divided 85% constr. and land devel., 9% conventional loans, 6% FHA and VA loans. All investments are located in Texas and are mainly single-family homes. We expect the portfolio to gain \$15M in the next six months, a gain of 46%. Loss reserve: \$89T or 0.27%. Financing: Trust capitalized at \$15.2M all equity w. 1.48M sh. Debt amounts to \$18.8M notes payable to banks. Leverage ratio is 1.24-1. A public offering is not planned in next 6 months. Money costs were 5.98% in the latest quarter giving the trust a 2.90% spread on borrowings. Adviser & expenses: M&T Management Company, wholly-owned subsidiary of Mortgage and Trust Inc. of Houston, mortgage banker servicing over \$700M. Cash expenses were 1.33% of avg. investments over the last 2 quarters. Six month outlook: Continued growth in fundings, good yield, high equity return, low expense ratio all point to good earnings and dividend growth. A 51% potential dilution due to wts. is a bit of negative. Shares of trust are a candidate for intermediate-term capital appreciation and regional representation. (VCK)

MIDLAND MORTGAGE INVESTORS (ASE-MMT)

Short-term mtg.-mtg. banker. FY ends June 30

RANKING (Data as of 9/72)

	<u>Assets</u>	<u>Equity</u>	<u>Port.Yield</u>	<u>Capital Ret.</u>
Rank	43	74	64	31
Amt. \$92.9M	\$20.7M	10.79%	11.79%	

Portfolio dynamics: Fundings increased 34% the past 6 months. Current portfolio of \$82.0M is 94% constr. loans & 6% land and devel. loans with 37% in apartments, 20% shopping centers, 16% office buildings, 12% single-family residences. About 32% of

loans are in Oklahoma, 12% in Colorado and 11% in Texas with the rest in 17 other states. Mgmt. expects funding to grow \$10M per quar. (12% gain over next 6 months) with composition remaining the same. Trust is presently negotiating 3 land purchase leasebacks but they will be small percentage of holdings. Loss reserve: \$320T or 0.39%. Financing: Total capital \$32.4M composed of \$20.6M equity (w. 1.80M sh.) and \$11.8M 7% convt. subor. debent. Debt is \$58.7M short term notes. Leverage ratio is 1.81-1. No public financing expected next 6 months. Money costs were 5.81% in latest quarter, giving the trust a 3.32% spread on borrowings. Adviser & expenses: Midland Mortgage Co., a mtg. banker which has a network of 8 offices. Cash expenses were 1.65% of avg. invest. the last 2 quar. Six month outlook: Steady growth in portfolio, good spread on borrowings, strong loan origination capabilities and a low 22% dilution factor all point to good growth in earnings and dividends. A N.Y.S.E. listing in mid-Dec. lends to appeal of shares for intermediate term capital gains. (VCK)

NATIONAL MORTGAGE FUND (OTC-NMTGS)

Short-term mtg.-mtg. banker. FY ends Feb.28/29

RANKING (Data as of 8/72)

	<u>Assets</u>	<u>Equity</u>	<u>Port.Yield</u>	<u>Capital Ret.</u>
Rank	69	82	45	19
Amt. \$54.4M	\$18.5M	11.40%	12.76%	

Portfolio dynamics: Holdings rose 40% the last 6 months. Current portfolio of \$48.2M is broken down 69% constr., 19% land devel., 7% conventional permanent, 5% FHA, Va permanent. Loans are located in 11 states with concentrations in Fla. (47%) Ohio (23%)

and Ga. (10%). Mgmt. anticipates the portfolio to reach \$60M by fiscal year end (a 24% gain), Feb.'73 with composition unchanged. Loss reserve: \$78T or 0.16%. Financing: Trust capitalized at \$21.7M composed of \$18.5M equity (w. 1.83M sh.) \$2.2M subor. convt. debent., and \$1.0M 6% subor. convt. note. Debt amounts to \$25.4M with \$23.7M in short-term notes payable and \$1.7M 6 3/4% secured notes. Leverage ratio is 1.17-1. No public financing is likely in next 6 months. Adviser & expenses: NFM, Inc. a wholly-owned subsidiary of Citizens Financial Corp. Cash expenses averaged 1.53% of avg. invest. over the last 2 quarters. Six month outlook: Growth of portfolio in next 6 months will not match that of the past 6 months, putting pressure on growth in earnings & dividends. Heavy concentration of portfolio in a few locations may also slow growth. Warrant overhang of 17% will not significantly effect earnings. Shares are a long-term hold. (VCK)

NORTH AMERICAN MORTGAGE INVESTORS (NYSE-NAM)

Short-term mtg.-mtg. banker. FT ends Dec. 31

RANKING (Data of 9/72)

	<u>Assets</u>	<u>Equity</u>	<u>Port.Yield</u>	<u>Capital Ret.</u>
Rank	15	24	36	2
Amt. \$175.1M	\$60.7M	11.75%	17.06%	

Portfolio dynamics: Fundings rose 31% in the Sept. quar. but yield declined moderately and is down about 1.5% from early this year. This appears part of a policy to lower yield to maintain portfolio quality. We expect a gain of about 25%-30% in the

next two quar. in continuation of this policy. Holdings are about two-thirds construction loans on commercial buildings in major urban centers, the remainder short-term first mtgs. and subordinated financing. About one-quarter each are in New York City, New York State and California. Loss reserve: \$1.19M or 0.74%. Financing: Capital of \$60.9M is all equity w. 4.26M sh. out. Debt of \$109.1M is \$71.9M commercial paper, \$30M of 5½% subordinated debts. and \$7.2M bank borrowings and notes. Leverage ratio is 1.80-1. Some financing is likely in next 6 mon., form undetermined. Adviser & expenses: Sonnenblick-Goldman Corp., nation's largest mortgage broker. Cash expenses were 0.85% of avg. holdings last 2 quar., giving trust highest net operating margin of group. Six month outlook: Continued loan origination strength and liability management point to moderate but steady earnings growth. Although yield relatively low, shares are a sound buy and hold. (KDC)

PALOMAR MORTGAGE INVESTORS (ASE-PMI)

Short-term mtg.-mtg. bankers. FY ends Nov 30

RANKING (Data as of 8/72)

	Assets	Equity	Port.Yield	Capital Ret.
Rank	71	68	58	22
Amt. \$53.0M	\$24.1M	10.95%	12.49%	

Portfolio dynamics: Funding gained b

79% over the last 6 months. Current portfolio of \$49.0M is divided 67% constr., 24% devel., 9% intermediate. About 45% of loans are located in Calif., Nev., Ariz. Mgmt. predicts fundings will reach \$60M by Feb.'73

(a 22% increase) with the makeup remaining unchanged. Loss reserve: \$88T or 0.18%. Financing: Capital amounts to \$24.1M, all equity w. 1.81M sh. Debt is \$28.6M, notes payable. Leverage ratio is 1.18-1. A public financing is not expected in next 6 months. Money costs were 5.34% in the latest quarter, giving the trust a 4.34% spread on borrowings. Adviser & expenses: P.M.I. Management Corp., wholly-owned by Palomar Financial, a mortgage banker. Cash expenses averaged 1.28% of investments over last 2 quarters. Six month outlook: A slowing in the rate of gain in fundings in next few months will put a squeeze on earnings and dividend gains. Warrant overhang of 33%, though not heavy, might hinder growth in earnings and dividends long-term. Trust shares have a long term appeal based on yield and return on equity. (VCK)

SUTRO MORTGAGE INVESTMENT TRUST (NYSE-SUT)

Short-term mtg.-mtg. banker. FY ends Mar. 31

RANKING (Data as of 9/72)

	Assets	Equity	Port.Yield	Capital Ret.
Rank	57	46	97	93
Amt. \$72.5M	\$36.0M	9.68%	7.10%	

Portfolio dynamics: Holdings rose 20%

in the last 6 mon. but declined slightly during the Sept. quar. Commitments are up and the prospect is for further moderate gains over next 6 mon. Holdings of \$71.5M were 93% first mtg. constr. loans, 4%

long-term FHA-VA and conventional loans, and 3% real estate owned through foreclosure. Holdings are about 55% apartments, 26% office, medical and commercial bldgs. About 43% are in California, 16% in Colorado. Loss reserve: \$300T or 0.42%. Financing: Capital of \$57.2M is \$36.0M equity (w. 2.30M sh.) and \$21.1M face amount of two issues of 6 3/4% debentures convertible at \$20. Debt of \$13.6M is all bank borrowings. Leverage ratio is 0.24-1. Trust sold \$17.5M debentures June 6 and no financing expected next 6 mon. Adviser & expenses: Sutro Mortgage Co., mortgage banker servicing over \$500 million loans. Cash expenses were 1.61% of avg. fundings last two quar. Six month outlook: Earnings decline in Sept. quar. appears to reflect falling portfolio yield. Moderate increase in fundings and expected higher yields should aid results. Shares a good holding for income. (KDC)

TEXAS FIRST MORTGAGE INVESTORS (OTC-TFMRS)

Short-term mtg.-mtg. banker. FY ends June 30

RANKING (Data as of 9/72)

	Assets	Equity	Port.Yield	Capital Ret.
Rank	81	79	52	60
Amt. \$47.6M	\$19.7M	11.17%	9.58%	

Portfolio dynamics: Holdings jumped 90%

over the last six months and mgmt. expects that by year end Dec.'72 fundings will be \$46M-\$50M (10%-19% gain) while by Mar.'73 they will amount to \$55M (31% increase).

Current portfolio of \$42.4M is broken down 41% commercial constr., 32% residential constr., 27% devel. Some 89% of loans are located in Texas. Composition of investments and geographical location will remain unchanged in the near future. Loss reserve: \$136T or 0.32%. Financing: Trust's capital is \$19.7M all equity w. 1.06M shares. Debt amounts to \$27.5M, \$24.0M bank lines and \$3.5M commercial paper. Leverage ratio is 1.40-1. There is a slight chance of a public financing in the next six months. Money costs were 5.81% in the latest quarter, giving the trust a 3.33% spread on borrowings. Adviser & expenses: Texas First Mortgage Advisers, Inc., wholly-owned sub. of First Mortgage Company of Texas, Inc. Cash expenses were 1.99% of avg. invest. over the last 2 quar. Six month outlook: Steady growth of portfolio, versus the spectacular growth of the past year, should yield moderate gains in earnings and dividends. Trust shares do represent a solid long-term buy and regional representation. (VCK)